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Investment Idea / IPO Note

THMY Holdings Berhad

Master Tester

By Crystal Chin

BUY

IPO Price: RM0.31

Fair Value: RM0.41

THMY Holdings Berhad (THMY: 0375), involved in providing automated test solutions for electrical and electronics (E&E) products, with end-use in various industries, as well as industrial automation solutions and maintenance and repair services. We project THMY to register core net earnings of RM11.4m and RM15.2m for FY3/26F and FY3/27F driven by improving utilisation rate. BUY with a fair value of RM0.41, premised on a weighted average 24x PER (on par with its international peers) on FY3/27F EPS. We expect utilisation rate to improve gradually from 81.6% in FY3/25, underpinned by the addition of eight new assembly workstations at the Batu Kawan factory by 2Q26.

With 17 years of track record in automated testing solutions, ICT solutions remain the core revenue driver, contributing 81% of total revenue in FY25, reflecting the company's capabilities to deliver customised automated testing solutions that ensure high product quality.

Demand for Functional Circuit Test (FCT) solutions is rising, particularly from customers within the technology, media, and telecommunications industries. Prevailing low contributions from FCT solutions is largely due to spatial constraints at the Batu Kawan factory, as FCT assembly workstations require larger space given their higher degree of customisation and comprehensiveness. To address this, THMY has allocated 58% of IPO proceeds for the acquisition and construction of a new factory at Batu Kawan Industrial Park, which will accommodate an initial 20 FCT assembly workstations. This expansion enables the company to fulfil high-volume orders from existing customers and capture new business opportunities. The commencement of operations is expected in 2Q29.

Profitability has improved notably with profit margin expanding at a 3-year CAGR of 326% to reach 21.9% in FY3/25, driven by rising project complexity in automated test solutions. We expect margins to remain resilient, underpinned by THMY's expertise in customised testing solutions to ride on the global E&E industry growth. Overseas contribution has been improving led by significant revenue growth from Taiwan and Thailand.

We expect THMY's balance sheet to improve, with net gearing at 0.27x as of FY3/25 to turn into a net cash position as IPO proceeds are utilised to pare down borrowings.

KLCI	1,637.80
YTD FBM KLCI change	-0.28%
YTD FBM SC Index change	-5.50%

Stock Information

Market Cap Upon Listing (RM'm)	275.28
Enlarged Share Capital (m)	888.00
Shariah Compliant	Yes

IPO Proceeds (RM'm)

Construction of a new factory	25.90
Repayment of bank borrowings	5.23
Purchase new machinery and equipment	3.70
D&D and R&D expenditure	1.90
Working capital	3.09
Estimated listing expenses	4.80
Total	**44.61**

Major Shareholders

Ooi Can Nix	68.93%
Chu Mooi Leng	3.61%
Chew Yap Meng	1.26%

Summary Earnings Table

FY Mar (RM'm)	2024A	2025A	2026F	2027F
Revenue	31.2	45.9	53.1	72.1
EBIT	8.1	10.4	11.8	15.7
Pretax profit	8.5	10.6	12.1	16.1
PATAMI	**6.8**	**10.0**	**11.4**	**15.2**
Core PATAMI	**6.8**	**10.0**	**11.4**	**15.2**
Consensus	-	-	-	-
Core EPS (sen)	0.8	1.1	1.3	1.7
EPS growth (%)	97%	49%	14%	33%
DPS (sen)	0.0	0.2	0.0	0.0
PER (x)	40.7	27.4	24.1	18.2
BV/Share (RM)	0.04	0.10	0.12	0.14
ROE (%)	9.2%	18.1%	16.0%	12.0%
Div. Yield (%)	0.0%	0.5%	0.0%	0.0%

Sources: Prospectus, Rakuten Trade Research

COMMPANY	Definition
Buy	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
Trading Buy	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
Take profit	The stock return previously recommended has gained by >10%
Hold	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
Sell	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
SECTOR	
Overweight	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Neutral	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Underweight	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

Scoring model:

The in-house scoring model is derived from Rakuten Trade Research valuation matrix based on earnings growth, earnings visibility, business model, valuation, balance sheet, technical analysis, and shareholder value creation. Each parameter is given a specific weighting.

All buy calls are based on the research team's judgement. Investing is risky and trading is at your own risk. We advise investors to:

- read and understand the contents of the disclosure document or any relevant agreement or contract before investing;
- understand the risks involved in relation to the product or service;
- compare and consider the fees, charges and costs involved; and
- make your own risk assessment and seek professional advice, where necessary.

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